Module 10A Simulation

Claiming Education Credits for the Hope Credit

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19



In this simulation, you will take on the role of Jon Stillman in order to learn how to claim the Hope Credit.



Module 10A Simulation

My Profile

Name: Jon Stillman

Marital status: Married

Spouse's name (if any): Karen

Child(ren): Matt, age 19

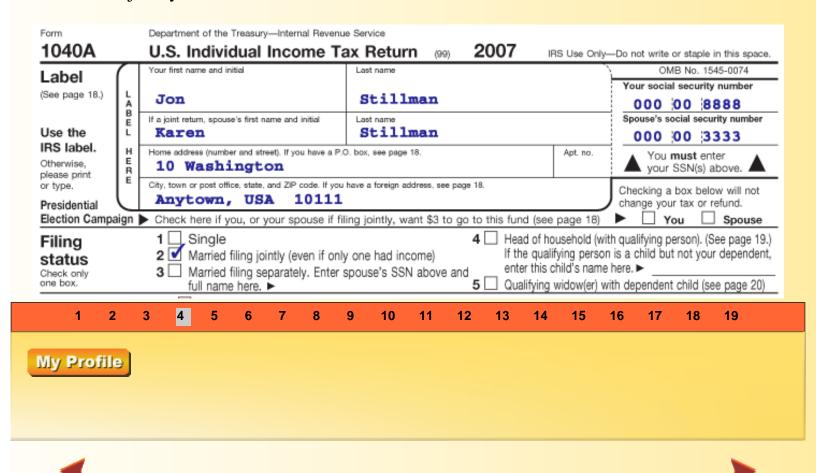
Matt Stillman SSN: 000-00-2929

U.S. citizen: Yes

Other: Dependent child who is a sophomore at private university.

Filing Status: Married Filing Jointly

You have started filing your taxes. You are using Form 1040A and will claim education credits for your son Matt. Your filing status is married filing jointly.



You have a tuition statement from Matt's university and paid qualified tuition and related expenses of \$15,000 during the year.

	☐ VOID ☐	CORR	ECTED						
FILER'S name, street address, city, of State Uni versity 555 Elon Drive Your City, State Zip Code	state, ZIP code, and telep	hone number	qualified		OMB No. 154	_	Tuition Statement		
			qualified related (\$ 15,000	tuition and expenses	Form 1098	3-Т	- Cutomon		
FILER'S federal identification no. 000-00-0000	STUDENT'S social sec 000 00 2929	urity number	3 Check it reportin	f you have change g method for 2007	ed your 7		Copy C		
STUDENT'S name Matt Stillman			4 Adjustm prior yea	ents made for a ar	5 Scholerehip	e or grante	For Privacy Act		
Street address (including apt. no.) 10 Washington			6 Adjustm scholare for a pri	hipe or grante	7 Check this amount in h includes an an academ	oox 1 or 2 nounts for	the Reduction Act or 2 Notice, see the of 2007 General		
City, state, and ZIP code Your City, State Zip Code			\$		beginning J March 2006	lanuary -	Instructions for Forms 1099, 1098,		
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student	~	l .	f a graduate	10 Ine. contract	t reimb./refund	5498, and W-2G.		
					Department of	of the Treasury	- Internal Revenue Service		
Form 1098-T									
Form 1098-T 1 2 3 4 5	6 7 8	9 1	10 11	l 12	13 14	15 16	6 17 18		
	6 7 8	9 1	10 11	l 12	13 14	15 16	6 17 18		
	6 7 8	9 1	10 11	l 12	13 14	15 16	6 17 18		
1 2 3 4 5	6 7 8	9 1	10 11	l 12	13 14	15 16	6 17 18		
1 2 3 4 5	6 7 8	9	10 11	l 12 ·	13 14	15 16	6 17 18		

Your modified AGI on line 22 of Form 1040A is \$65,000. Your tax liability on Line 28 is \$5,836. You wish to claim the Hope Credit for higher education expenses.

Form 1040A	(2007)													Page 2	
Tax,	22	Enter th	ne amou	nt fron	n line	21 (ad	justed	gross i	ncome).			4	22	65	000	
credits,	credits, 23a Check [You were born before January 2, 1943. Blind Total boxes															
payments	s h	If you	<u> </u>						,,		-	_				
Standard	l "		ons, see					u your	spouse		▶ 23b		-4			
Deduction for—	24		our stan					margin).			4	24	10	700	
People who			ct line 24										25	54	300	
checked any box on line 23a or 23b or	26		2 is \$117 I on line										26	10:	200	
who can be claimed as a dependent.	27		ct line 26 your tax				e 26 is	more	than line	25, en	ter -0) 🛌	27	44	100	
see page 32.	28		cluding a						page 32	2).			28	5	836	
All others:	29	Credit f	or child	and de	nend	ent ca	e expe	nses.	10	. W						
1 2 3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
My Profile																

Answer the following questions to see if Jon and Karen meet the requirements for claiming the Hope Credit.

Are the Stillman's using the correct filing status to claim the Hope Credit?

Do Jon and Karen meet the income limits?

o yes o no Since Jon and Karen paid \$15,000 in qualified tuition and related expenses for their son's private yes o no university, can they claim the Hope Credit?

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19

My Profile

Use the information you have to fill in Part I and Part III of Form 8863, Education Credits.

Enter the qualified expenses on Line 1c:

2200	 _

Form 8863 Department of the Treasury Internal Revenue Service (89)	OMB No. 1545-0074 2007 Attachment Sequence No. 50					
Name(s) shown on return				Yo	ur social security numb	ber
in the same year.	the Hope credit and t both an education cre ution: You cannot ta	edit and the tuition a	nd fees deduction	(see Form 8917)	for the same stud	lent
1 (a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,200 for each student.	(d) Enter the smaller of the amount in column (c) or \$1,100	(e) Add column (c) and column (d)	(f) Enter one-ha	
Matthew Stillman	000 00 2929	. 15				
		121				
Tentative Hope credit. A credit for another student Lifetime Learning	t, go to Part II; otherw				2	

My Profile

Use the information you have to fill in Part I and Part III of Form 8863, Education Credits.

Enter the smaller of the amount in column (c) or 1,100 on Line 1d:

Form 8863 Department of the Treasury Internal Revenue Service (99)	(Hope and	OMB No. 1545-0074 2007 Attachment Sequence No. 50					
Name(e) shown on return					Your	ocial security nu	mber
in the same year.	the Hope credit and to both an education cre ution: You cannot to	edit and the tuition a	nd fees deduction	(see Form 89	17) fo	r the same stu	
1 (a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,200 for each student.	(d) Enter the smaller of the amount in column (c) or \$1,100	(e) Add column (c) column (and	(f) Enter one of the amou column (e	nt in
Matthew Stillman	000 00 2929	2,200		_			
Tentative Hope credit. A credit for another studen Lifetime Learning	t, go to Part II; otherw				2		

My Profile

Use the information you have to fill in Part I and Part III of Form 8863, Education Credits.

Enter the correct amount on line 1e:

3300

Form 8863 Department of the Treasury Internal Revenue Service (99) Name(e) shown on return		Education Co d Lifetime Le ▶ See instruction tach to Form 1040 or	arning Credi		OMB No. 1545-0074 2007 Attachment Sequence No. 50 social security number
in the same year.	both an education cre	edit and the tuition	and fees deduction	(see Form 8917) f	or the same studen
1 (a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,200 for each student,	(d) Enter the smaller of the amount in column (c) or \$1,100	(e) Add column (c) and column (d)	(f) Enter one-half of the amount in column (e)
Matthew Stillman	000 00 2929	2,200	1,100		
2 Tentative Hope credit. A credit for another studer Part II Lifetime Learni	t, go to Part II; otherv				

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19

My Profile

Use the information you have to fill in Part I of Form 8863, Education Credits.

Enter the correct amount on line 2:

1650

Form 8863 Department of the Treasury Internal Revenue Service (99) Name(e) shown on return	OMB No. 1545-0074 2007 Attachment Sequence No. 50 r social security number						
in the same year.	both an education cn	edit and the tuition a	and fees deduction	(see Form 8917)	for the same student		
1 (a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,200 for each student,	(d) Enter the smaller of the amount in column (c) or \$1,100	(e) Add column (c) and column (d)	(f) Enter one-half		
Matthew Stillman	000 00 2929	2,200	1,100	3,300	1,650		
Tentative Hope credit. A credit for another studen Lifetime Learning	it, go to Part II; otherv	ne 1, column (f). If you vise, go to Part III	u are taking the lifet	ime learning ▶ 2			

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19

My Profile

1040A		U.S	. Individual Income Ta	ax Return	(99)	2007	IRS U	se Only-	-Do r	not writ	e or staple in this sp	oace.
Label (\Box	Your fire	st name and initial	Last name				ì		C	MB No. 1545-0074	
(See page 18.)	L								Yo	ur soc	ial security number	r
	A B								_		<u> </u>	1
Use the	E	It a join	it return, spouse's first name and initial	Last name					Sp	ouse's	social security numl	oer
IRS label.	н	Home a	address (number and street). If you have a P.0	hox see page 18	<u> </u>		An	t. no.	_		1 1	
Otherwise,	E R	Tiomic c	tadioss (namber and succe). If you have a risk	o. 50x, 500 page 10	•		Ap	. 110.			u must enter ur SSN(s) above. <i>u</i>	
please print or type.	Ë	City, to	wn or post office, state, and ZIP code. If you	have a foreign add	ess, see pag	je 18.		i	Ch		a box below will n	ot.
Presidential	\sqcup										our tax or refund.	Οί
Election Campai	gn 🕽	► Che	ck here if you, or your spouse if fil	ling jointly, war	it \$3 to go	to this fund (s	ee pag	je 18)			You 🗌 Spou	se
Filing		1 🛚	Single								person). (See page	
status		2	Married filing jointly (even if only	•	,	1 1 - 1 - 1 - 1 - 1 - 1 - 1 -					ut not your depend	dent,
Check only one box.		3 ∟	☐ Married filing separately. Enter s	spouse's SSN	above and	enter thi					nt child (see page	20)
			full name here. ►	an alaina va				. ,		pende	Boxes	20)
Exemption	IS	6a		an ciaim yo	u as a c	аерепаепі, а	o no	L Chec	K	ļ	checked on 6a and 6b	
		b						,		J	No. of children	
		С	Dependents:	(0) Dependen	t'a agaigl	(3) Depende	nt's	(4) √if			on 6c who:	
			(4) First name Last name	(2) Depender security n		relationship	to	child tax cr			lived with you	
If more than six			(1) First name Last name			you		pa	ge 2	1)	• did not live	
dependents, see page 21.				1 1					<u>H</u>		with you due to divorce or	
									H	—	separation (see page 22)	
									\vdash		Dependents	
											on 6c not entered above	
											cintered above	
		_									Add numbers on lines	
		d	Total number of exemption	is claimed.							above ►	Ι
Income		7	Wagos calarios tipo eta	Attach Form	n(c) \\\ 2		.			7		
Attach			Wages, salaries, tips, etc.	Allach Form	I(S) VV-2							
Form(s) W-2 here. Also		8a	Taxable interest. Attach So	chedule 1 if	require	d.				8a		
attach			Tax-exempt interest. Do n			8b						
Form(s)		9a	Ordinary dividends. Attach		require					9a		
1099-R if tax was withheld.			Qualified dividends (see pa		• \	9b	_					
		10	Capital gain distributions (see page 25	0).	data Tarreta				10		
If you did not get a W-2, see		11a	IRA distributions.			11b Taxab (see p				11b		
page 24.		12a	Pensions and			12b Taxab				110		
Enclose, but do			annuities. 12a			(see p				12b		
not attach, any payment.												
		13	Unemployment compensa	tion and Ala	ska Per	manent Fund	d divi	dends		13		
		14a	Social security			14b Taxab						
			benefits. 14a			(see p	age 2	28).		14b		
		15	Add lines 7 through 14b (fai	r riaht colum	n). This	is vour total i	incon	ne.		15		
Adjusted					,.	, , , , , , , , , , , , , , , , , , , ,				10		
gross		16	Educator expenses (see pa	age 28).		16						
income		17	IRA deduction (see page 2			17						
		18	Student loan interest dedu	iction (see p	age 31)	. 18						
		10	Tuition and food daduction	Λ++oob Γ	m 0017	10						
		19 20	Tuition and fees deduction Add lines 16 through 19. T				·e			20		I
		20	Add iiiles 10 tillough 19. I	inese ale yo	rai total	aujusunem				20		
		21	Subtract line 20 from line	15. This is y	our adj i	usted gross	inco	me.		21		

Department of the Treasury-Internal Revenue Service

Form

Form 1040A (2007) Page 2 Enter the amount from line 21 (adjusted gross income) 22 65000 Tax. credits. You were born before January 2, 1943, Blind | Total boxes 23a Check I and if: **Spouse** was born before January 2, 1943, Blind | checked ▶ payments b If you are married filing separately and your spouse itemizes Standard 23b deductions, see page 32 and check here **Deduction** Enter your standard deduction (see left margin). 24 10700 for-25 Subtract line 24 from line 22. If line 24 is more than line 22, enter -0-. 54300 25 • People who checked any If line 22 is \$117,300 or less, multiply \$3,400 by the total number of exemptions 26 box on line claimed on line 6d. If line 22 is over \$117,300, see the worksheet on page 32. 26 10200 23a or 23b or who can be Subtract line 26 from line 25. If line 26 is more than line 25, enter -0-. 27 claimed as a This is your taxable income. 27 44100 dependent. 5836 28 Tax, including any alternative minimum tax (see page 32) see page 32. 28 All others: 29 Credit for child and dependent care expenses. Single or Attach Schedule 2. 29 Married filing 30 Credit for the elderly or the disabled. Attach separately, Schedule 3. \$5,350 30 Married filing Education credits. Attach Form 8863. 31 31 jointly or Child tax credit (see page 37). Attach Qualifying 32 Form 8901 if required. widow(er), \$10,700 33 Retirement savings contributions credit. Attach Head of Form 8880. 33 household, 34 Add lines 29 through 33. These are your total credits. 34 \$7,850 Subtract line 34 from line 28. If line 34 is more than line 28, enter -0-. 35 35 36 Advance earned income credit payments from Form(s) W-2, box 9. 36 37 Add lines 35 and 36. This is your total tax. 37 38 Federal income tax withheld from Forms W-2 and 1099. 38 2007 estimated tax payments and amount 39 If you have applied from 2006 return. 39 a qualifying Earned income credit (EIC). 40a child, attach Nontaxable combat pay election. 40b Schedule EIC. 41 Additional child tax credit. Attach Form 8812. 41 42 Add lines 38, 39, 40a, and 41. These are your total payments. **42** If line 42 is more than line 37, subtract line 37 from line 42. 43 Refund 43 This is the amount you overpaid. 44a 44a Direct Amount of line 43 you want **refunded to you.** If Form 8888 is attached, check here ▶ deposit? **▶** b Routing See page 53 ► c Type: Checking □ Savings number and fill in 44b, 44c, ▶ d Account and 44d or number Form 8888. 45 Amount of line 43 you want applied to your 2008 estimated tax. 45 46 Amount vou owe. Subtract line 42 from line 37. For details on how Amount ▶ 46 to pay, see page 54. you owe 47 Estimated tax penalty (see page 54). Do you want to allow another person to discuss this return with the IRS (see page 55)? Yes. Complete the following. Third party Designee's Phone Personal identification designee name no. number (PIN) Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my Sign knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge. here Your occupation Daytime phone number Your signature Date Joint return? See page 18.

_	
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Spouse's signature. If a joint return, both must sign.

Preparer's

signature

Firm's name (or yours if self-employed),

address, and ZIP code

Кеер а сору

preparer's

use only

for your records.

Paid

Preparer's SSN or PTIN

Spouse's occupation

Check if

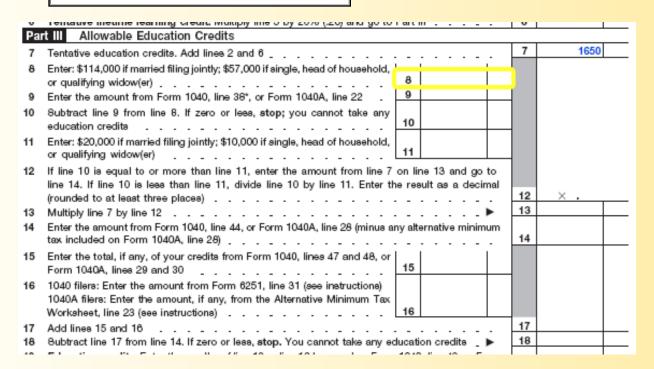
self-employed L

Phone no.

Date

Enter the correct amount on line 8:



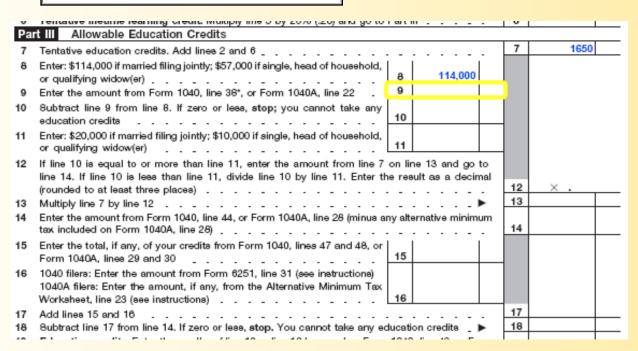


To review your Form 1040A, click My Form 1040A below.



Enter the correct amount on line 9:

65000



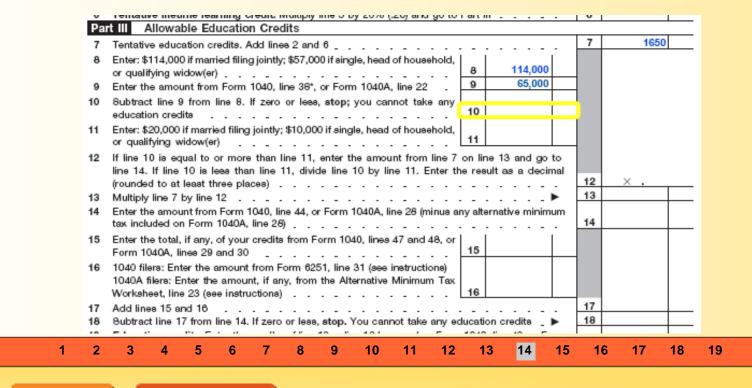
Hint: See line 22 on Form 1040A.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19

My Profile My Form 1040A

Enter the correct amount on line 10:

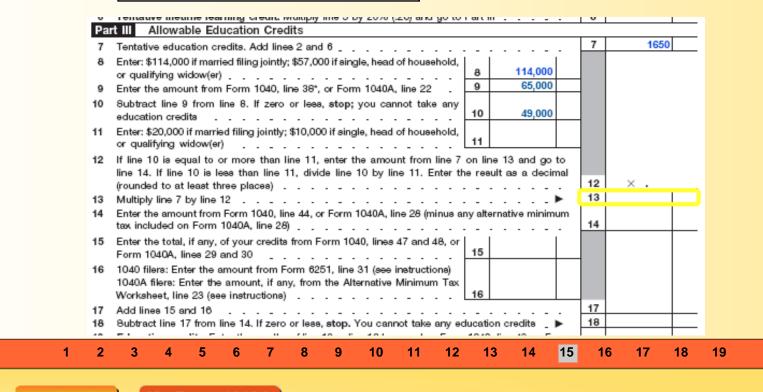
49000



My Profile

Line 12 is left blank. Enter the correct amount on line 13:

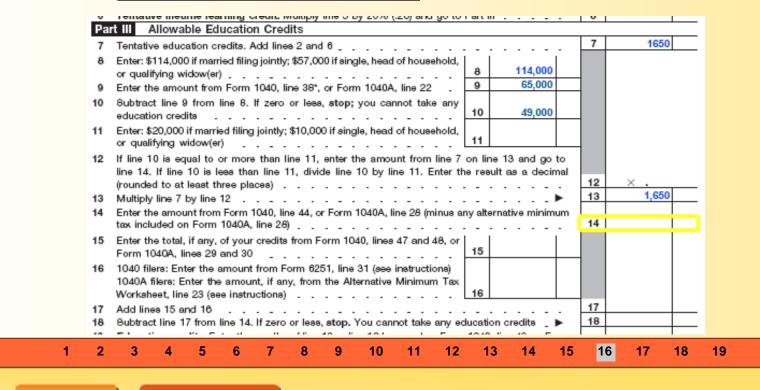




My Profile

Enter the correct amount on line 14:

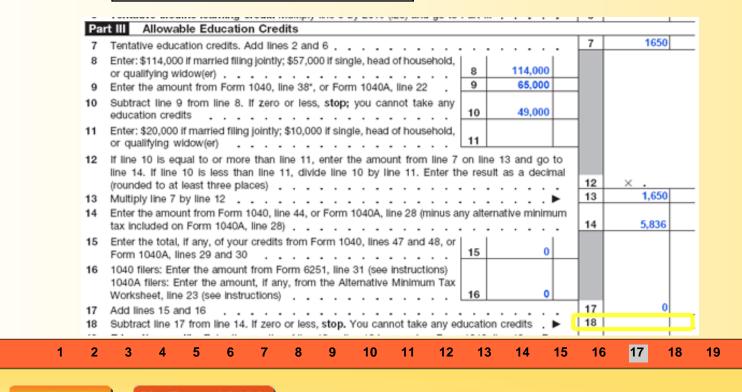
5836



My Profile

Line 15 is zero. Line 16 is zero. Enter the correct amount on line 18:

5836

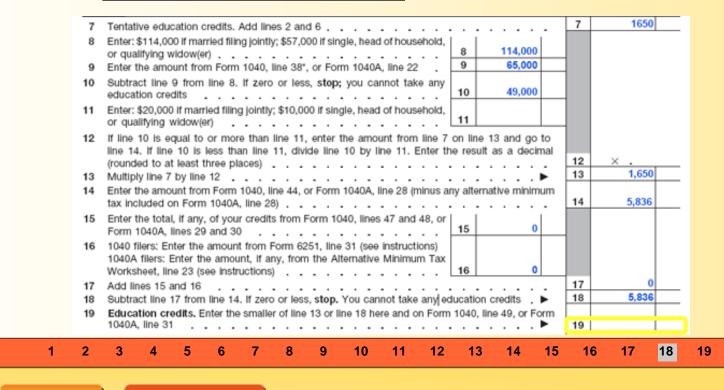


My Profile



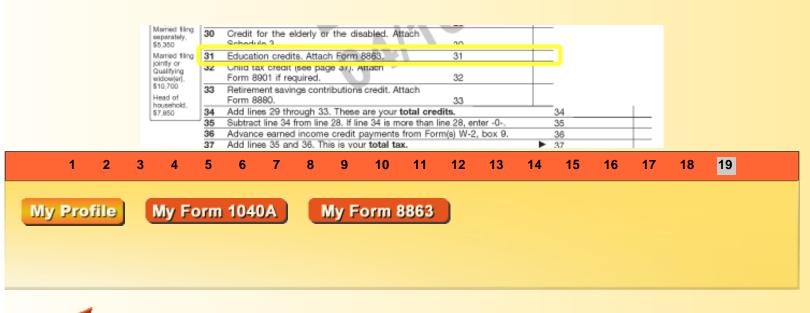
Enter the Education Credits on line 19:

1650



My Profile

Congratulations, you have completed Jon and Karen's Hope Credit by completing Form 8863. This form should be attached to the return and \$1,650 should be transferred to Form 1040A, line 31.



Department of the Treasury Internal Revenue Service (99)

Education Credits (Hope and Lifetime Learning Credits)

► See instructions. ▶ Attach to Form 1040 or Form 1040A.

OMB No. 1545-0074 Attachment

Sequence No. 50

Your social security number

Name(s) shown on return

Jon & Karen Stillman

in the same year.

00 Caution: • You cannot take the Hope credit and the lifetime learning credit for the same student in the same year. • You cannot take both an education credit and the tuition and fees deduction (see Form 8917) for the same student

Pa	rt I Hope Credit. Ca	ution: You cannot to	ake the Hope credit	for more	e tha	n 2 t	ax vears	for t	he sa	me student.	
1	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,200 for each student.	(d) Ent smaller amou column \$1,1	er the rof the interior	e he		Add	and	(f) Enter one of the amou column (e	-half nt in
	Matthew Stillman	000 00 2929	2,200	1,	100		3	,300		1,650	
2	Tentative Hope credit. A credit for another studen	t, go to Part II; otherv						ng •	2	1,650	
Pai	t II Lifetime Learnir	ng Credit									
3	(a) Student's n	ame (as shown on pa		urn)		numb	tudent's soc per (as show of your tax	vn on I	page expenses (see		
									-		
4	Add the amounts on line								4		
5	Enter the smaller of line Tentative lifetime learni	4 or \$10,000	- 5 - 000/ (00)						5		
6 Po	t III Allowable Educ	otion Cradita	le 5 by 20% (.20) and	a go to P	art II	١.			6		
									7	1650	
7	Tentative education cred					•		•		1030	
8	Enter: \$114,000 if married or qualifying widow(er) .		•		8		114,000				
9	Enter the amount from F			I	9		65,000				
10	Subtract line 9 from line		stop; you cannot tak	ke any	10		49,000				
11	Enter: \$20,000 if married or qualifying widow(er)	filing jointly; \$10,000 i		sehold,	11		20,000				
12	If line 10 is equal to or										
	line 14. If line 10 is less						a decim	nal	12	× .	
12	(rounded to at least three								13	1,650	
14	Multiply line 7 by line 12 Enter the amount from Fo						 <i>ı</i> e minimı	ım		1,000	
	tax included on Form 10-	40A, line 28)							14	5,836	
15	Enter the total, if any, of Form 1040A, lines 29 and	d 30			15		0				
16	1040 filers: Enter the am 1040A filers: Enter the al Worksheet, line 23 (see i	mount, if any, from th	e Alternative Minimu	ım Tax	16		0				
17	Add lines 15 and 16 .								17	0	
18	Subtract line 17 from line		•	-					18	5,836	-
19							🕨	>	19	1,650	L
	* If you are filing Form 2555, 2555	5-EZ, or 4563, or you are excl	uding income from Puerto Ri	ico, see Pub	. 970 f	or the	amount to er	nter.			